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MONTANA CHIROPRACTIC LEGAL PANEL

AUDITED FINANCIAL STATEMENTS

For the two fiscal years ended June 30, 2006

Prepared Under Contract With:
MONTANA LEGISLATIVE BRANCH, AUDIT DIVISION
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October 30, 2006

To the Director
Montana Chiropractic Legal Panel
Helena, MT

We have audited the financial statements of Montana Chiropractic Legal Panel, for the year ended June 30, 2005 and 2006 and have issued our report thereon dated October 30, 2006. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*

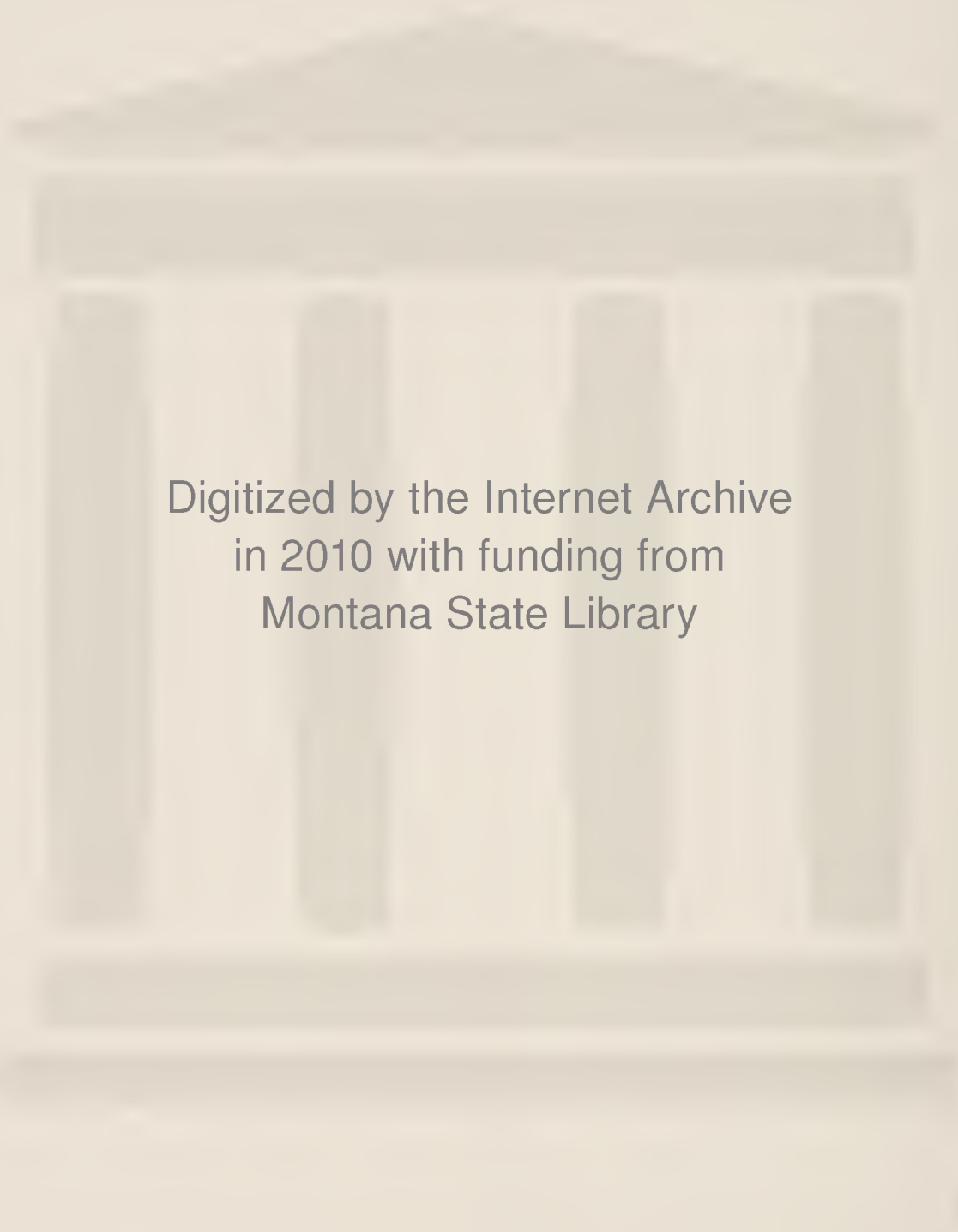
As stated in our engagement letter dated August 17, 2006, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with the cash basis of accounting. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Montana Chiropractic Legal Panel. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Montana Chiropractic Legal Panel's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Montana Chiropractic Legal Panel, are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal years ended June 30, 2005 and 2006. We noted no transactions entered into by the Organization during the years that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.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Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We evaluated the key factors and assumptions used to develop the accounting estimates and the accounting estimates used by management appear to be reasonable.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Organization's reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Organization, either individually or in the aggregate, indicate matters that could have a significant effect on the Organization's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Other Matters

The following are additional matters we would like to comment on:

The prior audit report for the two fiscal years ended June 30, 2004 contained four recommendations. We have listed these four recommendations and their disposition during the June 30, 2005 and 2006 audits below:

Prior audit recommendation #1
We recommend the Panel director seek legislation eliminating all references in state law which indicate the Panel is a state agency.

Panel response
The Panel Director does not feel the above recommendation is necessary and did not agree with this recommendation.

Conclusion
We do not feel it is necessary to repeat this finding and we concur with the Panel Director.

Prior audit recommendation #2
We recommend the Panel director appropriately reduce the fee assessed on chiropractic physicians in accordance with state law.

Panel response
The Panel Director agreed with the recommendation.

Conclusion
No assessment was charged in fiscal year ended June 30, 2006. The Panel has implemented the recommendation.

Prior audit recommendation #3
We recommend the Panel director select its panelists, invest it moneys, and pay travel and salary expenditures in accordance with state law.

Panel response
The Panel partially agreed with this recommendation

Conclusion
The manner has been resolved during the two years ended June 30, 2006.

Prior audit recommendation #4
We recommend the Panel director seek legislation to resolve the conflict in state law concerning confidentiality of Panel records that identify a party to the proceedings.

Panel response
The Panel Director agreed with the recommendation.

Conclusion
The manner has been resolved during the two years ended June 30, 2006.

This information is intended solely for the use of the board and management of Montana Chiropractic Legal Panel, and is not intended to and should not be used by anyone other than these specified parties.

Respectfully submitted,

Junkermier, Clark, Campanella, Stevens, P.C.

Helena, Montana

MONTANA CHIROPRACTIC
LEGAL PANEL

AUDITED FINANCIAL STATEMENTS

June 30, 2006 and 2005

JUNKERMIER, CLARK, CAMPANELLA, STEVENS, P.C.
Certified Public Accountants and Business Advisors

LEGISLATIVE AUDIT DIVISION

Scott A. Seacat, Legislative Auditor
Tori Hunthausen,
Chief Deputy Legislative Auditor

Deputy Legislative Auditors:
James Gillett
Jim Pellegrini

October 2006

The Legislative Audit Committee
of the Montana State Legislature:

Enclosed is the report on the audit of the Montana Chiropractic Legal Panel for the two fiscal years ended June 30, 2006.

The audit was conducted by Junkermier, Clark, Campanella, Stevens, PC under a contract between the firm and our office. The comments and recommendations contained in this report represent the views of the firm and not necessarily the Legislative Auditor.

The agency's written response to the report recommendations is included in the back of the audit report.

Respectfully submitted,

Scott A. Seacat
Legislative Auditor

Enclosure

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MONTANA CHIROPRACTIC LEGAL PANEL
CONTENTS

	Page
Administrative officials	3
AUDITED FINANCIAL STATEMENTS	
Independent auditors' report	4
Statements of assets, liabilities, and surplus - cash basis	5
Statements of revenues, expenses and change in surplus - cash basis	6
Notes to financial statements	7
INDEPENDENT AUDITORS' REPORTS FOR GAO	
Independent auditors' report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*.	8-9
Agency response	10

ADMINISTRATIVE OFFICIALS
MONTANA CHIROPRACTIC LEGAL PANEL

2005-2006

Mary Lou Garrett, Director
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INDEPENDENT AUDITORS' REPORT

To the Director
Montana Chiropractic Legal Panel
Helena, MT

We have audited the accompanying statements of assets, liabilities, and surplus - cash basis of Montana Chiropractic Legal Panel, as of June 30, 2006 and 2005, and the related statements of revenues, expenses, and changes in surplus - cash basis for the years then ended. These financial statements are the responsibility of Montana Chiropractic Legal Panel's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial statement audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1, Montana Chiropractic Legal Panel prepares its financial statements on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and surplus of the Montana Chiropractic Legal Panel, as of June 30, 2006 and 2005, and its revenue, expenses and changes in surplus for the years then ended, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated October 30, 2006, on our consideration of Montana Chiropractic Legal Panel's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Junkermier, Clark, Campanella, Stevens, P.C.

Helena, Montana
October 30, 2006

MONTANA CHIROPRACTIC LEGAL PANEL
STATEMENT OF ASSETS, LIABILITIES, AND SURPLUS - CASH BASIS

	June 30	
	2006	2005
ASSETS		
CURRENT ASSETS		
Cash in bank	1,101	11,110
Time certificates of deposit	31,962	30,883
Total current assets	33,063	41,993
Total assets	$ 33,063	$ 41,993
LIABILITIES AND SURPLUS		
SURPLUS		
Surplus	33,063	41,993
Total liabilities and surplus	$ 33,063	$ 41,993

See the notes to financial statements.

MONTANA CHIROPRACTIC LEGAL PANEL
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN SURPLUS - CASH BASIS

	Years ended June 30	
	2006	2005
REVENUES		
Assessment fees	$ -	$ 14,725
Late fees	-	300
Interest income	1,079	883
Other income	-	45
Total revenues	1,079	15,953
EXPENSES		
Audit	-	5,212
Bank service charges	-	25
Copies	1,337	493
Hearing expenses	274	342
Management fee	4,527	6,357
Panel member fees	3,089	2,454
Postage	353	337
Printing	123	128
Rent	40	6
Repairs	-	82
Supplies	34	-
Travel	95	474
Telephone	137	80
Other expenses	-	100
Total expenses	10,009	16,090
(DECREASE) IN SURPLUS	(8,930)	(137)
Surplus, beginning of year	41,993	42,130
SURPLUS, END OF YEAR	$ 33,063	$ 41,993

See the notes to financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Montana Chiropractic Legal Panel was established by the "Montana Chiropractic Legal Panel Act" as authorized by Section 27-12-101 and 104 MCA. The panel is a quasi-governmental entity and is allocated to the Montana supreme court for administrative purposes only, except that 2-12-121(2) MCA does not apply.

The Montana Chiropractic Legal Panel was created to review all malpractice claims or potential claims against chiropractic physicians, except claims subject to a valid arbitration agreement allowed by law. The purpose of the Montana Chiropractic Legal Panel is to prevent, whenever possible, the filing of court actions against chiropractic physicians and their employees for professional liability situations in which the facts do not permit at least a reasonable inference of malpractice. Also, the purpose of the Montana Chiropractic Legal Panel is to make possible the fair and equitable disposition of such claims against chiropractic physicians as are or reasonably may be well founded.

Basis of Accounting

The accompanying financial statements have been prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Accordingly, revenue is recorded when received rather than when earned and expenses are recognized when paid rather than when the obligation is incurred.

Assessment Fees

The Montana Chiropractic Legal Panel is funded by an annual assessment fee levied on all chiropractic physicians at the beginning of each fiscal year, beginning July 1. The amount of the assessment is set annually by the director and is equally assessed against all chiropractic physicians. A fund surplus at the end of the year that is not required for the administration of the Montana Chiropractic Legal Panel must be retained by the director and used to finance the administration for the Montana Chiropractic Legal Panel during the next fiscal year, in which event the director will reduce the next annual assessment to an amount estimated to be necessary for the proper administration of Montana Chiropractic Legal Panel during that fiscal year. The fund and any income from it must be held in trust, deposited in an account, and invested and reinvested by the director.

2. PANEL HEARINGS

The Montana Chiropractic Legal Panel held one hearing during fiscal year ending June 30, 2005 and three hearings during fiscal year ending June 30, 2006.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Director
Montana Chiropractic Legal Panel
Helena, MT

We have audited the financial statements of Montana Chiropractic Legal Panel as of and for the years ended June 30, 2006 and 2005, and have issued our report thereon dated October 30, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Montana Chiropractic Legal Panel's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Montana Chiropractic Legal Panel's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Montana Chiropractic Legal Panel in a separate letter dated October 30, 2006.

This report is intended solely for the information and use of the legislative audit committee and the Director and is not intended to be and should not be used by anyone other than these specified parties.

Junkermier, Clark, Campanella, Stevens, P.C.

Helena, Montana
October 30, 2006

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Director:
Mary Lou Garrett

October 30, 2006

Junkermier, Clark, Campanella, Stevens, P.C.
Certified Public Accountants
P.O. Box 1164
Helena, Montana 59624

RE: Montana Chiropractic Legal Panel response

Dear Junkermier, Clark, Campanella, Stevens, P.C.

We have reviewed the draft audit report for the Montana Chiropractic Legal Panel. We are pleased that our Program meets accounting standards and that no recommendations for improvement were noted.

Sincerely,

Mary Lou Garrett

Mary Lou Garrett, Director
Montana Chiropractic Legal Panel